

1                                   **REBUTTAL TESTIMONY OF**

2                                   **KEITH C. COFFER, JR.**

3                                   **ON BEHALF OF**

4                                   **DOMINION ENERGY SOUTH CAROLINA, INC.**

5                                   **DOCKET NO. 2020-125-E**

6  
7   **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

8   A.           My name is Keith C. Coffe, Jr. My business address is 400 Otarre Parkway,  
9               Cayce, South Carolina. I am employed by Dominion Energy Southeast Services,  
10              Inc. and serve as the Controller of Dominion Energy South Carolina, Inc. (“DESC”  
11              or the “Company”).

12   **Q.     ARE YOU THE SAME KEITH C. COFFER, JR. WHO PREVIOUSLY**  
13               **SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?**

14   A.           I am.

15   **Q.     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16   A.           The purpose of my rebuttal testimony is to respond to certain matters raised  
17               in the testimony of witnesses filed on behalf of the South Carolina Office of  
18               Regulatory Staff (“ORS”) and in the testimony of Mr. Mark E. Garrett filed on  
19               behalf of the United States Department of Defense and all other Federal Executive  
20               Agencies (“DOD-FEA”) related to certain accounting adjustments and other  
21               matters. Specifically, I will address the following matters:

- 1           • The recommendation of ORS witness Bickley that the storm damage  
2           regulatory liability account earn carrying costs while also including the  
3           balance in rate base.
- 4           • The recommendation of DOD-FEA witness Garrett that the recovery of the  
5           unrecovered plant balance related to the retirement of Canadys units 2 and 3  
6           be extended to 40 years.
- 7           • The recommendation of DOD-FEA witness Garrett that the Company's  
8           major maintenance accrual adjustment be reduced.
- 9           • Changes in amortization periods proposed by ORS and DOD-FEA witness  
10          Garrett.
- 11          • The recommendation of ORS witness Briseno that deferred items be  
12          amortized to depreciation and amortization expense as opposed to Operation  
13          and Maintenance ("O&M") expense as proposed by the Company.
- 14          • Changes in balances used to establish amortization amounts proposed by  
15          ORS.
- 16          • The recommendation of ORS witness Briseno regarding an adjustment to the  
17          Company's proposed pro forma adjustment establishing a Vegetation  
18          Management Accrual.

1 **Q. ARE THERE ADJUSTMENTS PROPOSED BY INTERVENORS NOT**  
2 **ADDRESSED IN THE COMPANY'S REBUTTAL TESTIMONY?**

3 A. Yes, there are.

4 **Q. DOES THE COMPANY AGREE WITH ALL OF THOSE ADJUSTMENTS?**

5 A. The absence of rebuttal testimony by any of the Company's witnesses  
6 addressing a particular adjustment or proposal is not necessarily an indication that  
7 the Company agrees with or accepts the adjustment or proposal. The Company  
8 believes that its proposed pro forma adjustments, updated as necessary through the  
9 discovery process, were reasonable and appropriate.

10 **STORM DAMAGE RESERVE RIDER**

11 **Q. ORS WITNESS BICKLEY PROPOSES CERTAIN MEASURES HE**  
12 **DESCRIBES AS CUSTOMER PROTECTIONS. ARE THERE ANY OF**  
13 **THOSE MEASURES YOU WOULD LIKE TO ADDRESS?**

14 A. Yes, there are. The Company and ORS agree that amounts recovered  
15 through the storm damage reserve rider should be appropriately utilized to offset  
16 storm restoration activities. The Company's proposal establishes a regulatory  
17 liability for amounts collected through the rider that have not been utilized to offset  
18 incremental storm restoration costs and establishes a regulatory asset for storm  
19 restoration costs incurred in excess of rider recoveries, with the regulatory liability  
20 or asset serving to decrease or increase rate base, respectively. The Company

1 further explains this approach in its response to ORS Request No. 3-21 which is  
2 attached as Rebuttal Exhibit No. \_\_\_\_ (KCC-1 Rebuttal) to this testimony.

3 **Q. DOES MR. BICKLEY SUGGEST A MODIFICATION TO THIS**  
4 **PROPOSAL?**

5 A. Yes. Although Mr. Bickley acknowledges this rate base treatment of the  
6 storm damage rider regulatory liability or asset (Direct Testimony of Brandon S.  
7 Bickley (“Bickley Direct”), p. 7, ll. 8 – 12), he also proposes that the storm rider  
8 reserve account earn carrying costs for customers (Bickley Direct, p. 12, ll. 1 – 3 &  
9 p. 15, ll. 7 – 11). Pertinent to this issue, ORS adjustment No. 20 leaves the storm  
10 reserve regulatory liability as a reduction to rate base. Thus, ORS appears to agree  
11 with the Company’s proposed rate base treatment of the storm rider reserve account  
12 while also proposing that the regulatory liability accrue carrying cost for customers.  
13 Mr. Bickley does not, however, address the applicability of carrying costs when the  
14 Company is carrying a regulatory asset for remediation costs incurred in excess of  
15 rider recoveries.

16 **Q. WHAT ISSUES DO YOU SEE WITH ORS’S PROPOSAL?**

17 A. ORS’s proposal to allow carrying cost on the regulatory liability, while at the  
18 same time including the regulatory liability as a reduction to rate base, in effect  
19 credits customers twice for the cost of capital associated with these collections: once  
20 through the reduction in rate base - and the related reduction to the Company’s  
21 return on rate base - and once through the accrual of carrying costs on the regulatory

1 liability. To avoid this duplication, the appropriate treatment would be to include  
2 the balances in rate base or accrue carrying costs, but not both. Further, Mr. Bickley  
3 states, “*The Company expects to be compensated for the time value of money similar*  
4 *to its deferrals, and the customer should receive similar recognition that their*  
5 *money should earn carrying costs.*” (Bickley Direct, p. 15, ll. 9 – 11). However, in  
6 no situation is the Company accruing carrying costs and including the deferral in  
7 rate base, as to do so would serve to duplicate recovery by the Company. The  
8 Company believes that its proposal to include the storm rider overcollected  
9 regulatory liability or undercollected regulatory asset in rate base is an appropriate  
10 way to address this issue and is consistent with similar situations.

11 **Q. WHAT IS YOUR RECOMMENDATION ON THIS MATTER?**

12 A. I recommend that the Commission adopt the Company’s proposal that the  
13 storm reserve rider regulatory liability or asset be applied as a reduction or increase  
14 to rate base, respectively, and that carrying costs not be applied to either the  
15 regulatory liability, as suggested by the ORS, or the regulatory asset. However, if  
16 the Commission adopts the ORS proposal to accrue carrying costs, I recommend  
17 that the regulatory liability and asset balances be excluded from rate base, in order  
18 to prevent duplicating the credit to customers when the balance is in a regulatory  
19 liability position and also to prevent duplicating the recovery by the Company when  
20 the balance is in a regulatory asset position. I further recommend that if the ORS  
21 carrying cost proposal is adopted, the Commission clarify that carrying costs would

1 apply to both overcollected (regulatory liability) and undercollected (regulatory  
2 asset) balances and be recorded using the Company's embedded cost of long-term  
3 debt rate.

4 **CANADYS UNITS 2 AND 3**

5 **Q. IN ITS APPLICATION, DID THE COMPANY HAVE A PROPOSAL**  
6 **REGARDING THE TREATMENT OF THE RETIREMENT OF CANADYS**  
7 **UNITS 2 AND 3?**

8 A. Yes. In November of 2013, Canadys units 2 and 3 were removed from  
9 service. In its application, the Company requested that the Commission affirm its  
10 treatment of including the unrecovered balance in rate base and amortizing the  
11 balance at the level of depreciation expense being recorded for the Canadys units  
12 prior to their retirement (\$12.3 million per year). Under this approach, the Company  
13 estimates that the unrecovered balance of \$72,551,743 as of December 31, 2019,  
14 plus additional costs expected to be incurred to finalize the closure of the plant site,  
15 would be recovered around the end of 2026, although the actual amount of  
16 remaining decommissioning costs could extend the recovery period.

17 **Q. DID DOD-FEA WITNESS GARRETT PROPOSE A DIFFERENT**  
18 **TREATMENT FOR THE RECOVERY OF CANADYS UNITS 2 AND 3?**

19 A. Yes. Mr. Garrett proposes that the recovery period be extended to 40 years  
20 from March 2021, which effectively extends the recovery period through at least

1 March 2061. Mr. Garrett argues that the Company should be financially indifferent  
2 to the recovery period so long as the unrecovered balance is in rate base.

3 **Q. HAVE YOU IDENTIFIED ANY PROBLEMS WITH THIS TREATMENT?**

4 A. Yes. Mr. Garrett's proposal is significantly more costly for customers over  
5 the long term. By extending the recovery period, the regulatory asset balance  
6 amortizes much more slowly resulting in a higher rate base over an extended period  
7 of time.

8 **Q. ARE THERE OTHER MATTERS RELATED TO CANADYS UNITS 2 AND**  
9 **3 YOU WOULD LIKE TO MENTION?**

10 A. Yes. For clarity, the Company affirms that the additional costs expected to  
11 be incurred discussed above, and to be included as part of the unrecovered balance  
12 addressed in this application, are related to the closure of the plant site itself.  
13 Additional costs are expected to be incurred in the late 2020s to early 2030s time  
14 frame related to closure of ash ponds at the site. Recovery of such costs will be  
15 addressed in future proceedings.

16 **TURBINE/GENERATOR MAJOR MAINTENANCE ACCRUAL**

17 **Q. DID THE COMPANY PROPOSE AN INCREASE IN THE AMOUNT OF**  
18 **THE ANNUAL TURBINE/GENERATOR MAJOR MAINTENANCE**  
19 **ACCRUAL AS PART OF ITS APPLICATION?**

20 A. Yes. The Company requested that the annual accrual be increased to  
21 \$29,052,493 based on estimated costs going forward coupled with projected

1 unrecovered costs. The Company also proposed including maintenance costs  
2 associated with the Columbia Energy Center (“CEC”) in the accrual. The  
3 Company’s proposal was based on the expenses reasonably expected to be incurred  
4 for turbine and generator maintenance at all of its major gas and coal-fired  
5 generating units over an eight-year maintenance cycle, as previously approved by  
6 this Commission, based on experience and existing contracts.

7 **Q. DOES MR. GARRETT ADVANCE ANY PROPOSAL RELATED TO THE**  
8 **TURBINE/GENERATOR MAINTENANCE ACCRUAL?**

9 **A.** Yes. Mr. Garrett agrees that the maintenance accrual should be increased and  
10 that it should include the additional maintenance costs attributable to CEC.  
11 However, he recommends that the annual increase be reduced to \$5,607,568, a  
12 reduction of \$5,009,140 to the increase proposed by the Company. He states that  
13 this amount would be sufficient to cover the additional maintenance costs for CEC  
14 plus the necessary amount to recover the cumulative undercollected amount of  
15 \$8,008,542 as of December 31, 2019.

16 **Q. HOW DO YOU RESPOND TO MR. GARRETT’S PROPOSAL?**

17 **A.** There are flaws in Mr. Garrett’s proposal. First, the undercollected balance  
18 he uses as of December 31, 2019, does not include \$1,994,466 of accrued carrying  
19 costs recorded in account 182.3051 on the Company’s ledger that makes up part of  
20 the beginning balance. This is an actual cost incurred by the Company and carrying



1 costs on the undercollected and overcollected balances were authorized by the  
2 Commission in Order No. 2010-471.

3 More importantly, however, Mr. Garrett's calculation does not fully  
4 incorporate the projected costs to be incurred over the upcoming eight-year  
5 maintenance cycle. To properly determine the annual accrual, it is necessary to  
6 consider not only the beginning undercollected balance, but also the full projected  
7 costs over the accrual period for all units, not just CEC. This point is recognized by  
8 ORS witness Bickley, who supports changing the accrual and the underlying drivers  
9 of it. Mr. Garrett argues that the current accrual has been sufficient to cover annual  
10 maintenance expenses and help to the reduce the undercollection from the  
11 December 31, 2011 balance (Direct Testimony of Mark E. Garrett, p. 61, ll. 7 – 10)  
12 and appears to incorrectly apply this argument as justification for lowering the  
13 Company's requested accrual. Mr. Garrett's argument would only be valid if no  
14 changes in costs for the upcoming eight-year cycle were expected due to inflation,  
15 timing of required maintenance or scope of work to be completed. Mr. Garrett  
16 accepts the Company's projection of costs related to CEC, but fails to accept and  
17 fully incorporate the projected maintenance costs for the other units in his  
18 determination of the annual accrual.

19 **Q. WHAT DO YOU BELIEVE THE FINANCIAL IMPACT WOULD BE FROM**  
20 **ADOPTING MR. GARRETT'S PROPOSAL?**

1 A. The purpose of the major maintenance accrual is to levelize the expense  
2 accrual in order to properly match maintenance expenses with the year-by-year use  
3 of the plants that caused such expenses to be incurred. This provides a better  
4 matching of rate recovery from the customers benefitting from the use of the  
5 facilities that causes the maintenance activity. If Mr. Garrett's proposal is adopted,  
6 the Company would not be levelizing its costs and estimates that it would be  
7 undercollected by approximately \$39 million at the end of the eight-year operating  
8 cycle covering January 1, 2021, through December 31, 2028. In that situation, the  
9 accrual would be ineffective in matching maintenance expenses with the year-by-  
10 year use of the plants and in recovering the anticipated costs over the eight-year  
11 operating cycle. If the Company were to defer this undercollection as a regulatory  
12 asset, it would have to seek recovery of this deferral in future proceedings.

13 **Q. COULD THE COMPANY'S COST ESTIMATES CHANGE?**

14 A. Yes, they could. The Company is seeking to renegotiate certain long-term  
15 maintenance contracts and leverage off the expansion of its fleet with the addition  
16 of CEC. In the event the Company is successful in negotiating more favorable  
17 terms, the reduction will be captured in the maintenance accrual regulatory asset or  
18 liability for the benefit of customers to be addressed in the next accrual update.

**DEFERRAL AMORTIZATION ISSUES**

**Q. IN ADDITION TO THE AMORTIZATION PERIOD FOR THE CANADYS UNRECOVERED PLANT, ARE THERE OTHER AMORTIZATION PERIOD ADJUSTMENTS THAT YOU BELIEVE NEED TO BE ADDRESSED?**

**A.** Yes, there are. The ORS and the DOD-FEA propose extending the amortization periods of certain regulatory assets beyond the periods proposed by the Company as summarized in the following table:

<b>Deferral</b>	<b>Company Proposed Amortization Period</b>	<b>ORS/Intervenor Proposed Amortization Period</b>	<b>Company Response</b>
Storm Remediation Cost Deferral	5 Years	ORS – 10 Years	ORS witness Bickley states that the 10-year recovery period aligns with the time period from which recoveries under the storm damage rider were suspended in 2010. However, as of December 31, 2010, the storm damage reserve was actually in an overcollected regulatory liability position of approximately \$38.3 million. So, incremental costs were first applied to eliminate the \$38.3 million regulatory liability. Only after this balance was eliminated in 2016 did cost begin to be deferred. Therefore, the five-year amortization period proposed by the Company aligns more closely with the time period over which the deferred balance accumulated.

<b>Deferral</b>	<b>Company Proposed Amortization Period</b>	<b>ORS/Intervenor Proposed Amortization Period</b>	<b>Company Response</b>
Critical Infrastructure Protection Costs Deferral	5 Years	ORS – 10 Years DOD-FEA – 10 Years	Order No. 2014-946 authorized the Company to defer costs incurred over the January 1, 2015 through December 31, 2019 time period. Therefore, the Company's proposed 5-year recovery period aligns more closely with the period over which the deferred balance accumulated.
VCS Cyber Security Deferral	5 Years	ORS – 10 Years	Order No. 2015-790 authorized the Company to defer costs incurred over the January 1, 2015 through December 31, 2019 time period. Therefore, the Company's proposed 5-year recovery period aligns more closely with the period over which the deferred balance accumulated.

1           In proposing the longer amortization periods, the ORS, in part, attributes the  
 2           longer amortization periods to aligning the recovery with the ten-year recovery  
 3           period proposed by the Company for the deferred costs pursuant to Order Nos.  
 4           2012-780 and 2015-298 related to Nuclear Regulatory Commission requirements as  
 5           a result of the earthquake and tsunamis experienced at Tokyo Electric Power  
 6           Company's Fukushima Daiichi nuclear power station. However, the costs deferred  
 7           by the Company pursuant to Order Nos. 2012-780 and 2015-298 were incurred  
 8           between August 2012 and June 2019, or over a period of approximately seven years.

1           The Company believes that the amortization periods proposed in its  
2 application are more appropriate because they align more closely to the time period  
3 over which the deferred costs accumulated. Therefore, the Company respectfully  
4 requests that its proposed amortization periods be approved over those proposed by  
5 ORS and DOD-FEA.

6 **Q. ARE THERE OTHER MATTERS RELATED TO DEFERRAL**  
7 **AMORTIZATION YOU WOULD LIKE TO ADDRESS?**

8           Yes, there are. ORS witness Briseno recommends that the amortization of  
9 regulatory assets and liabilities be classified as depreciation and amortization  
10 expense and not O&M expense as proposed by the Company. A primary  
11 consideration to this proposal appears to be to remove the effect of the amortizations  
12 from the working capital adjustment. The Company does not object to removal of  
13 these amortizations from the working capital calculation, but requests that the  
14 amortizations continue to be recorded to O&M as proposed by the Company. The  
15 Company's treatment is consistent with the guidelines of the Federal Energy  
16 Regulatory Commission ("FERC") Uniform System of Accounts, which state as  
17 follows in pertinent part:

18           "The amounts recorded in this account are generally to be charged,  
19 concurrently with the recovery of the amounts in rates, to the same account  
20 that would have been charged if included in income when incurred . . . ."

1 (18 C.F.R. § Pt. 101 (Account 182.3 – Other Regulatory Assets)). To ensure the  
2 Company's regulatory reporting remains consistent with the FERC Uniform System  
3 of Accounts and to preserve industry comparability, the Company requests that the  
4 amortizations of the deferred items be recorded to O&M as proposed in its  
5 application.

6 **CHANGES IN AMORTIZATION AMOUNT BALANCES**

7 **Q. DOES ORS MAKE ANY RECOMMENDATIONS WITH RESPECT TO**  
8 **THE BALANCES OF THE DEFERRED ACCOUNTS THAT THE**  
9 **COMPANY PROPOSED TO BE AMORTIZED OVER A PERIOD OF**  
10 **YEARS?**

11 A. Yes. ORS witnesses Briseno and Kollen recommend limiting the Company's  
12 proposed amortization adjustment for the transmission costs deferral, the critical  
13 infrastructure protection costs deferral, and the VCS cyber security deferral to the  
14 actual account balance of the deferral as of May 31, 2020, without considering  
15 projections. However, the Company has projected the balance of these deferral  
16 accounts for the purpose of determining the appropriate amortization amount. For  
17 these deferrals, the additions to or changes in the account balances through February  
18 2021 will be limited to carrying costs and, in the case of the transmission costs  
19 deferral, depreciation, property taxes, and carrying costs. Thus, the Company can  
20 reasonably estimate the balance of each of these accounts as of February 2021,  
21 which is the month just prior to anticipated rates pursuant to this application going

1 into effect. Consequently, the estimated February 2021 balance will more  
2 accurately reflect the deferred balance to be recovered and would therefore serve as  
3 the most accurate basis for establishing the appropriate amortization amount. If,  
4 however, the Commission determines that the amortization amount should be based  
5 solely on actual account balances as of May 31, 2020, as proposed by ORS, the  
6 Company respectfully requests that the established amortization remain in effect  
7 until the entire account balance is recovered, as indicated in Item 26 of its  
8 application in this proceeding - not just the actual balance used in setting the  
9 amortization.

#### 10 **VEGETATION MANAGEMENT ACCRUAL**

11 **Q. DO YOU AGREE WITH ORS WITNESS BRISENO'S ADJUSTMENT TO**  
12 **THE VEGETATION MANAGEMENT ACCRUAL?**

13 A. Although ORS agrees with the implementation of a Vegetation  
14 Management Accrual, I disagree with Mr. Briseno's subsequent adjustment to that  
15 accrual. Through Adjustment No. 21, the Company seeks to establish a Vegetation  
16 Management Accrual. As explained by Company witness Kissam, the Vegetation  
17 Management Accrual would "provide a predictable basis for funding a multi-year  
18 vegetation management program." (Direct Testimony of W. Keller Kissam, p. 60,  
19 ll. 1-3). Thus, the Company structured the accrual to cover cyclical vegetation  
20 management based on upcoming and planned vegetation management trimming

1 cycles. This does not include the hourly work done throughout the year to respond  
2 to unplanned vegetation management needs identified on the system.

3 In developing Adjustment No. 21, the Company was careful to match the  
4 projected average annual costs for the scope of the five-year cyclical work to be  
5 included in the accrual to the actual expenses incurred in the test year related to  
6 cyclical work. Accordingly, the Company did not include the costs associated with  
7 hourly work to respond to unplanned immediate issues on the system in its pro  
8 forma adjustment.

9 Since both hourly work and cyclical vegetation management may include the  
10 removal of dead or fallen trees, broken branches, or the clearing of vines, ORS  
11 concluded that hourly work is similar to the cyclical work, and should be included  
12 in the accrual, even though the origin of the costs is different. However, although  
13 ORS removed the hourly work from the test period expenses, it did not increase the  
14 accrual by a corresponding amount. ORS apparently concluded that the costs of the  
15 hourly work were included in the accrual; however, for the reasons described above,  
16 the hourly costs were not included in the accrual adjustment and are entirely separate  
17 from the accrual. Therefore, the approach suggested by ORS creates a disparity  
18 between its proposed pro forma adjustment and the costs the accrual is intended to  
19 cover, while at the same time eliminating the costs associated with this work from  
20 non-accrual expenses.



The Company respectfully requests that the Commission approve the Company's pro forma adjustment, which accurately captures the purpose of the accrual: preventative and predictable vegetation management and cycle cutting that is separate from the costs of hourly work to respond to unplanned vegetation management needs causing a threat to the system. Nevertheless, if the Commission wishes to include hourly work in the accrual as proposed by ORS, the Company respectfully requests that the proposed ORS accrual be increased by the test year hourly costs, which equal \$1,038,320. If ORS's proposed adjustment is accepted without this accompanying adjustment, the accrual will be deficient by this amount and the Company's costs in maintaining its electric system will not be fully covered.

## SUMMARY

## O. WHAT ARE YOU ASKING THIS COMMISSION TO DO?

A. I am respectfully asking the Commission (i) to approve the Company's proposal to include the storm damage reserve rider overcollected or undercollected balances in rate base without additional carrying costs; (ii) to approve the Company's proposal to amortize the costs of Canadys units 2 and 3 at the level of depreciation expense being recorded at the time of retirement; (iii) to include in the turbine/generator major maintenance accrual the full amount of expected major maintenance costs over the eight-year operating cycle for all turbines/generators, not just the CEC costs plus the cumulative undercollected amount (including accrued carrying costs); (iv) to adopt the Company's proposed amortization periods

1 for the storm remediation cost deferral, the critical infrastructure protection costs  
2 deferral, and the VCS cyber security deferral; (v) to approve the amortization of  
3 deferred items to O&M expense as proposed in the Company's application; (vi) to  
4 adopt the Company's proposed amortization for the deferred transmission deferral,  
5 the critical infrastructure protection costs deferral and the VCS cyber security  
6 deferral accounts based on estimated amounts as of February 2021, and allow  
7 amortization until the account balance is fully recovered; and (vii) approve the  
8 Company's proposed Adjustment No. 21 for establishing a Vegetation Management  
9 Accrual without the changes proposed by ORS.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A.** Yes, it does.

**DOMINION ENERGY SOUTH CAROLINA, INC.  
OFFICE OF REGULATORY STAFF'S THIRD AND CONTINUING REQUEST  
FOR BOOKS, RECORDS AND OTHER INFORMATION  
DOCKET NO. 2020-125-E**

**REQUEST NO. 3-21:**

Please answer the following regarding the account the Storm Damage Reserve would be held in if approved:

- a. Would the account accrue interest?
- b. If the answer to the above question is yes, to what types of investment risks would the fund be subject to, and what does the Company intend to do with any interest earned?

**RESPONSE NO. 3-21:**

A) No. If approved, the Company does not anticipate that the funds would be held in a separate bank account. This is consistent with the practice followed by the Company prior to the storm damage rider recoveries being suspended pursuant to Order No. 2010-471. Instead, rider collections will be used to establish a regulatory liability on the Company's balance sheet. To accomplish this, as rider collections are recovered from customers and revenue is recognized, the Company will make a concurrent entry to record (debit) expense and increase (credit) the storm reserve regulatory liability for an amount equal to the rider collections. The revenue and the expense will offset, having no impact on the Company's net income. However, the regulatory liability will be increased in amount equal to what was recovered from customers through the rider.

As incremental storm costs are incurred, those costs will be applied against the regulatory liability, thereby reducing the regulatory liability balance. At any point in time, the regulatory liability balance represents cumulative rider recoveries in excess of incurred cumulative incremental storm damage restoration costs (in effect an overcollection). Accordingly, the regulatory liability will be considered a component of the Company's rate base, thereby reducing rate base and allowed return.

In the event that cumulative incremental storm costs exceed cumulative rider recoveries and the regulatory liability balance is exhausted, the Company proposes to record a regulatory asset on its balance sheet for the costs in excess of recoveries and treat that regulatory asset as a component of rate base, thereby increasing rate base and allowed return. At any point in time, the regulatory asset would represent cumulative incremental storm restoration costs incurred in excess of cumulative rider recoveries (in effect an undercollection).

**DOMINION ENERGY SOUTH CAROLINA, INC.  
OFFICE OF REGULATORY STAFF'S THIRD AND CONTINUING REQUEST  
FOR BOOKS, RECORDS AND OTHER INFORMATION  
DOCKET NO. 2020-125-E**

B) Not applicable.

**PERSON RESPONSIBLE:** Keith C. Coffey, Jr.